

NCUA News

Field Of Membership Legislation Support Grows

Fifty-one legislators had signed on at May 2 to co-sponsor the Credit Union Membership Access Act, H.R. 1151, the bill to clarify that federal credit unions can serve employees of more than one company, a long-standing NCUA policy halted by the Courts last year.

The numbers of co-sponsors grew rapidly after seven senior Members of Congress sent fellow legislators a letter in late March encouraging action on the legislation.

The letter made a number of significant points—

“While this ruling has been appealed to the Supreme Court, the Court will not hear the case until this fall and will probably not issue a decision until next spring or summer. In the interim, more than 3,500 occupation-based credit unions serving the more than 32 million employees of 158,000 businesses are left to ponder their fate; uncertain if they will be forced to break-up, and if they are forced to break-up, whether they will be able to survive. In addition, the employees of businesses that are too small to create their own credit unions are being denied access to credit union membership.

H.R. 1151 should not be viewed as pro-credit union or anti-bank. Instead H.R. 1151 should be viewed for what it is: pro-consumer and pro-competition, both of which are good things. H.R. 1151 simply gives more Americans the choice to voluntarily choose a non-profit, cooperative credit union for their financial services.

This is also not a partisan issue. The NCUA’s policy was set during the Reagan Administration and continued during both the Bush and Clinton administrations with support by NCUA board members from both parties. Our bill, H.R. 1151, was also introduced by a bipartisan group of members.”

May 1997, Number 4

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Reserves Waived for North Dakota & Minnesota CUs—

The NCUA Board waived reserving requirements for North Dakota and Minnesota credit unions and corporates in a special session May 2 so these institutions have a maximum amount of funds available to make low-interest rate loans to credit unions and credit union members whose property was damaged or lost in the recent flooding.

Year 2000 Actions Underway

NCUA is keeping Congress and credit unions informed about steps being taken to prepare for Year 2000 computer conversions.

NCUA issued a *Letter to Credit Unions* last year alerting them to necessary computer conversions. Last month, the agency submitted a plan to Congress explaining how the agency is preparing for Year 2000 computer conversions. This month, an NCUA *Letter to Federally Insured*

Credit Unions will review what problems to consider and what credit union compliance responsibilities include. A *Letter to Federal Credit Unions* will follow later in May explaining what examination procedures NCUA will use to ensure that federal credit unions and data centers are in compliance with requirements.

A letter will also be mailed to the industry’s electronic data processing vendors to verify that system and

software programs address compliance requirements. NCUA plans to track and verify that credit unions gain certification of compliance from EDP vendors. Agency examinations will track compliance in each federal credit union. Additional *Letters to Credit Unions* and articles in the *NCUA NEWS* will keep credit unions apprised of emerging initiatives on this important subject.

News Briefs

- **Audit Opinions** — NCUA's 1996 financial statements for the Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Program received unqualified opinions from independent auditor Deloitte and Touche.
- **Comment Period Extended** — To ensure adequate response time, the comment periods have been extended until June 12 (an additional 30 days) on the proposed CUSO rule change, and the proposed change to the Federal Credit Union Bylaws.
- **CU Expansion** — NCUA's Office of Community Development Credit Unions met with officials from the Hispanic Chamber of Commerce and the Office of Community Development and Partnerships of the Council of LaRaza to explain and encourage credit union formation in Hispanic communities
- **Flood Insurance** — Joining fellow financial regulators, NCUA examiners

NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

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Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

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will survey what credit unions charge borrowers for flood insurance determinations over the next few months. This information is being collected for a Congressional report.

- **Cyberbanking** — *Letter to Credit Unions No. 97-CU-5*, issued this month, releases an interagency statement about on-line PC banking that describes the safety and soundness risks and considerations involved in providing electronic financial services (PC banking, Web sites, etc.). NCUA's cover letter lists the regulatory compliance tied to PC banking for credit unions.
- **CLF Yields** — CLF investment income totaled \$3.12 million in February which is a 5.61 percent annualized yield. Two guaranteed line of credit (LOC) agreements were terminated and two were added in March, bringing total LOCs to 12 representing \$5.1 million outstanding.
- **NCUSIF Update** — The equity level in the Share Insurance Fund was 1.29 percent at March 31, 1997, based upon December 31, 1996, shares of \$276.5 billion. Three credit unions have failed during 1997 at a cost of \$694,000, and no funds have been added to the Reserve account.
- **Check the Mail** — Within the next few months, federal credit unions will receive a:
 - Supervisory Committee Guide;
 - Accounting Manual; and
 - Regulatory Alert on HMDA/ECOA and mortgage loan pre-qualifications.
- **Board Action Expected** — The NCUA Board is expected to take action soon on regulations pertaining to:
 - Part 703, Investment and Deposit Activity;
 - Part 701.26, Credit Union Service Organizations, and
 - Section 701.21, Member Business Loans.

Field of Membership Lawsuit Update

- April 14, the Sixth Circuit U.S. Court of Appeals in Cincinnati reversed the trial court's decision and in a 2 to 1 ruling invalidated NCUA's multiple occupational group policy in the Tennessee-based First City Bank vs. NCUA case heard last October. The dissenting judge argued that the FCU Act does not clearly and unambiguously define the common bond requirement and that NCUA's interpretation is reasonable.
- April 16, the U.S. Court of Appeals for the District of Columbia refused to expand its stay beyond its December 24 ruling. Consequently, federal credit unions may continue to add new members to all existing select employee groups but are unable to add new groups or organizations beyond their core group.
- NCUA had filed a motion asking the court to expand its earlier stay in light of the decision by the U.S. Supreme Court to hear the case.
- In response to the ruling, NCUA General Counsel Robert M. Fenner said, "We are pleased that the Appeals Court has continued the partial stay and that credit unions may continue to serve existing members. It is disappointing that they will be unable to extend services to new groups. Apparently, further action on the stay will be up to Congress. NCUA will continue to explore all avenues for relief."
- April 17, Federal District Court Judge Thomas Jackson stayed the latest FOM case, Guaranty Bank v. NCUA, pending the Supreme Court's decision. In this case, the Independent Bankers Association of America maintains that Red River FCU, Texarkana, Texas, has accepted members outside of its FOM in violation of the common bond provision contained in the *Federal Credit Union Act*.
- May 12 is the deadline for filing NCUA's brief with the Supreme Court in the field of membership lawsuit.
- December 19 is the date for the next status conference with Federal District Court Judge Thomas Jackson on the AT&T and related field of membership lawsuit cases. Judge Jackson postponed the May 5 status conference.

BOARD ACTIONS

Special Assistance and Special Actions Policy Updated

The NCUA Board revised and clarified the agency's policy on how and when NCUA grants 208 assistance and how Special Action units operate in each Region effective April 16. Issued as a new Chapter 1 in the Risk Management Processing Guidelines, this internal document incorporates all revisions to special actions and special assistance reviewed by the NCUA Board through April 1997.

The Special Actions section has insubstantial changes while the Special Assistance section adds new guidance. It enables NCUA to provide assistance to credit unions facing probable insolvency. The new section explains 116 Assistance, the authority NCUA uses to waive reserve transfers or reduce statutory reserve requirements, and it adds a definition of the criteria NCUA will use to determine if a credit union is "in danger of closing." The new policy also identifies specific criteria that must be met before the NCUA Board will consider providing 208 assistance.

Changes Considered on Record Subpoenas, Employee Testimony

The NCUA Board issued a proposal to amend NCUA rules regarding subpoenas seeking nonpublic agency documents and the testimony of NCUA employees. The proposal has a 60-day comment period.

The proposed change, written in question and answer format, completely revises

the rule under Part 792, Subpart C. As proposed, the regulation prohibits disclosure of nonpublic records or testimony by NCUA employees unless there is compliance with the rule; explains what information to submit and what factors NCUA will consider; and identifies filing times, fees, and potential restrictions on disclosures or testimony.

To read the proposal, check Proposed Rules on NCUA's Web site in the the major *News* category on the Homepage at <http://www.ncua.gov>. Instructions explain how to provide comments electronically on any current proposed change.

CU Converts to Serve Low-Income Community

The NCUA Board approved a charter conversion giving Coulter Financial FCU the ability to serve the majority of people who live, work, or worship in Hialeah, Florida, a well-defined community with primarily low-income, Hispanic residents.

Ninety-six percent of the people surveyed in Hialeah favor the conversion. The mayor of Hialeah, educational and business leaders, and city residents also submitted letters supporting the conversion.

Wisconsin FCU to Convert to Mutual Savings Bank

The NCUA Board granted approval for \$81 million Citizens Community FCU, Eau Claire, Wisconsin, to convert to a Wisconsin mutual savings bank.

Following an approving vote by members, a charter cancellation will conclude the conversion the credit union attempted several years ago as a state-chartered institution.

Stopping the Problems Early

Severe problems demand extreme solutions, and NCUA must sometimes place credit unions into conservatorship and liquidation to protect members. In an attempt to pinpoint and solve problems before they require extreme actions, NCUA is reviewing past cases to evaluate the causes.

For example, a postmortem of the circumstances surrounding the 1995 conservatorship of O.U.R. Federal Credit Union, Portland, Oregon, revealed characteristics that could be evident in other situations.

O.U.R. FCU Postmortem

Relatively small O.U.R. Federal Credit Union suffered a substantial embezzlement by its 20-year plus manager that went on for at least 10 years in spite of judicious efforts. The credit union had an active supervisory committee who reviewed and sometimes prepared the bank reconciliations, outside audits were performed, and CUMIS performed at least two risk management audits, yet the manager was able to hide the embezzlement.

Over the years, NCUA examinations were difficult. The manager controlled the Board and all areas of credit union operations, and had the members' utmost trust. Unfortunately, the manager conveyed a strong dislike for NCUA to the staff and Board. As a result, officials and staff viewed the NCUA examiner as an adversary instead of as an advisor. The hostile atmosphere caused the examiner to focus on personality conflicts rather than on the numerous operational problems facing the credit union in lending, delinquency, profitability, and poor record keeping.

An Ounce of Prevention

To prevent similar cases, NCUA's Region VI office has developed the following actions:

Remaining 1997 NCUA Board Meeting Tentative Schedule

DATE	TYPE	TIME	PLACE
05/22/97(Thurs.)	Open	10:00 am	Alex, VA
06/12/97(Thurs.)	Open	10:00 am	Alex, VA
07/24/97(Thurs.)	Open	10:00 am	Alex, VA
09/17/97(Wed)	Open	10:00 am	Alex, VA
11/19/97(Wed)	Open	10:00 am	Alex, VA
12/18/97 (Thurs.)	Open	10:00 am	Alex, VA



Economic Self Help – the Credit Union Way

Maryland Ministers Join Forces to Charter Credit Union

The NCUA Board, April 16, granted a federal charter to First Combined Community Federal Credit Union to serve the underserved area of Central Prince George's County, Md.

It becomes the fourth federal credit union chartered in 1997, and the third that is organized and/or supported by a coalition of ministers and churches. The others are Avondale Community FCU, in Cincinnati, Ohio, and North Dade Community Development FCU in Miami, Fla.

Located approximately 10 minutes from Washington, D.C., Prince George's County is home to one of the most affluent African American populations in the United States. But the county is also heavily populated with residents who live below the national poverty level. Thus, the credit union's field of membership is a good example of the haves and have nots combining their resources for the prosperity of their entire community. The service area, known as Central Prince George's, has 19 cities and towns with a potential of 216,700 member/residents.

Recognizing the reluctance of area banks to lend to minorities, regardless of their affluence, the First Baptist Church of Highland Park, in Landover, Md., began organizing the credit union two years ago. The church has committed \$90,000 in non-interest bearing deposits and \$70,000 for the first year's operating expenses.

Involvement of Churches

The effort has the support of a coalition of 51 area churches called the Collective Banking Group, which was formed to foster economic development throughout P.G. County, the second largest county in the state. The coalition has committed to marketing the credit union's services to its respective congregations located within the field of membership.

First Combined Community FCU's goal is to encourage first time savers, promote small business loans, and discourage continued use of the community's long standing "underground financial economy" of private mortgage companies,

pawnshops, loan sharks, and rental appliance and furniture stores that inflate interest rates.

"This charter is a great example of concerned ministers recognizing the lack of low-cost financial services available to its community and working together to provide an alternative," said NCUA Chairman Norman E. D'Amours.

Driving Out the Pawnbrokers

Approval of the new credit union charter comes three months after Prince George's County government officials, alarmed with the trend of pawnshops opening in older neighborhoods that the county has been trying to revitalize, suspended approvals of new pawnshops throughout the entire county.

A study conducted by the council found that the number of pawnshops in P.G. County rose from 34 in 1990 to 61 by year-end 1996. Neighboring suburban counties with similar size and population had less: 51 in Montgomery County, Md., 12 in Fairfax County, Va., and 10 in Arlington County, Va. The county council will now move toward regulating the number and location of active pawnshops in the county.

First Combined Community plans to initially offer basic services: savings accounts, check-cashing privileges, money orders, payroll deductions, financial counseling, consumer and education loans, U.S. Savings Bonds and a utility bill paying service.

Its goal is to have 1,000 members with an average share balance of \$500 by the end of its first year in business, and 500 additional members in each of the succeeding years.

First Combined Community will be mentored by \$122 million Lafayette FCU, based in nearby Kensington, Md. Lafayette FCU has agreed to provide operational training and guidance to First Combined Community's staff and board.

PHOTO WILL NOT DISPLAY

The NCUA Board presents a new charter to officials of the First Baptist Church after the board meeting.

On the Road

Mentors Come In All Sizes

Chairman D'Amours toured several credit unions and held town meetings throughout Texas during March, and he addressed the annual meeting of the Houston Chapter. Credit unions in the state, which has the largest number of low-income designated credit unions, have been extremely active in mentoring small credit unions.



Lynda Milton, CEO of \$2.3 million Houston Teamsters FCU, (above) dedicates numerous hours each week to help other small credit unions in need, in addition to running her two-room operation with one full-time employee.



George Carter, board chairman of \$2.3 million Oak Cliff Community FCU, Dallas (seated at head of table) discusses issues concerning the CDCU with NCUA Region V director Phil Crider (far left) and officials from mentor credit union \$500 million OmniAmerican FCU. Carter, who works full-time at NationsBank, has been involved with the credit union for 15 years, and helped secure half a million dollars in non-member deposits for the credit union.

CDFI Fund Sets June 20 Application Deadline for Grants

The Community Development Financial Institutions (CDFI) Fund is accepting applications from eligible organizations for financial and technical assistance grants awarded through the CDFI program. All credit unions designated low-income by NCUA are eligible to apply.

The CDFI Fund is administered by the Department of the Treasury. It will award up to \$32.5 million during this second round of funding, with the maximum award per applicant set at around \$2 million. The deadline is June 20. The notice of funds availability and revised interim regulations were published in the April 4, Federal Register.

Six credit unions and two affiliated organizations were awarded grants last year, ranging from \$100,000 to \$3 million. A total 50 credit unions applied last year.

The CDFI Fund will also make grants ranging from \$5 million to \$7.5 million to CDFIs that provide financing for or support the formation of other CDFIs. The deadlines for these two awards are May 16, and June 20, respectively.

Please direct any questions to the CDFI Fund at the Treasury Dept. at (202) 622-8662, or NCUA's Office of Community Development Credit Unions at (703) 518-6610.

Take a Bow First Neshoba Federal Credit Union

Hard work, training, commitment, and resource sharing paid off. Just 17 months after placed into conservatorship, \$14 million First Neshoba FCU is again a healthy, full service credit union run by its members and serving the entire low-income community of Philadelphia, Mississippi.

When conserved the Friday before Thanksgiving 1995, the credit union suffered from mismanagement, poor lending practices, insider abuse, and declining assets. NCUA located two trusted and experienced resource

sharing managers to assume the day-to-day management — Martin Parsons, and Linda Morrow, on loan from NAS Credit Union in Louisiana.

First on the agenda was internal rehabilitation. The employees were insecure about their jobs and morale was low. When the credit union opened after the conservatorship the Monday before Thanksgiving, the employees didn't know if they would be open that Friday. The bad news was yes, and the good news was that they would be getting a small Thanksgiving bonus. Since management had seldom expressed appreciation for the employees before, several had tears in their eyes.

Then the labor intensive restoration program began. Every credit union policy was written or rewritten. A comprehensive budget and business plan was developed. A plan to improve service to the members and an intensive loan collection effort were organized. All the employees underwent thorough training and became very productive within a short time.



From the left are NCUA's Larry Maynard and Scott Neat with credit union officials Mary DeWeese, Linda Morrow, Harvin Hudson, Ricky Deweese, and Gene Donald

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New Examiners Train in Credit Unions

New NCUA examiners will be exposed to the manager's perspective of operating and managing a federal credit union under a new segment to NCUA's training program being implemented this month.

Based on the success of last year's pilot program, the Examiners Working in Credit Unions (EWIC) program will acquaint new examiners to credit unions as observers who "shadow" managers of both small and large credit unions during their daily routines. The focus of this on-site training is on non-examination aspects of credit union business. Examiners will not handle cash or cash-like instruments, and will not participate (other than observing or asking questions at an appropriate time) in management decisions.

Credit unions that would like to volunteer for the EWIC program should contact their NCUA regional office. To qualify, a credit union must demonstrate strong management and have the facilities to accommodate the examiner.

Every new examiner will be required to complete the on-site training by the end of the first year of training. They will be placed in

credit unions outside their permanently assigned region. The on-site training will last no longer than 10 days, with no less than three days spent at each location.

The information obtained through the program will enable NCUA's Office of Training and Development to evaluate future examiner training needs.

"We are constantly trying to improve our examination function," said NCUA Chairman Norman E. D'Amours. "This program is an effective way to provide useful insights of credit union operations to our examiner corps, while also building stronger working relationships between credit unions and examiners."

The pilot program NCUA conducted during the fall of 1996 introduced 12 examiners to the subtleties and complexities of credit union operations and management. The feedback received from questionnaires completed by the 12 participating credit unions and examiners expressed a common theme — the experience improved their ability to communicate with each other and gave the examiner a better overall understanding of the working environment inside a credit union.

First Neshoba

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After shoring up the financial and operational integrity of First Neshoba, the next task was strengthening the membership base and recruiting an advisory board from the membership. Martin Parson moved on to another case and Ms. Morrow became the permanent manager. Recruitment yielded a good cross section of eager volunteers for the advisory board — a pharmacist, power company clerk, tool and die maker, city government administrator, plant worker, and hospital administrator.

The credit union converted to a low-income community charter last November and adding new members became a priority. Beginning in January, all nine employees pitched in. Everyone took turns working in shifts for 24-hours, two days a week for six weeks to sign up new members at the local casino and all 28 area factories.

When Manager Linda Morrow was on

her shift at the casino in the midst of the member drive, she pondered to herself, "What am I doing here?" But it paid off. "In six weeks," Morrow reported, "we added 700 new accounts to our rolls. To get the word out, we visited every place with possible members, anything bigger than 10 people. Membership gained almost 30 percent and loans are up too. It was truly a unified effort by all the people here," she said.

NCUA Problem Case Officer Scott Neat, who helped restore the credit union to health, reported when the conservatorship ended March 17, 1997, that First Neshoba now offers its members good, quality service. "It's the only full service credit union in the area and it beats the bank competition in every area of service and price — savings rates are the highest in the county, loan rates are among the lowest, and checking accounts are free, Neat said. Everyone is very proud of First Neshoba's turn-around and looks forward to its continued success in the future."

ABOUT INVESTMENTS

Credit Risk Management

One of the more important investment practices that is sometimes overlooked by credit unions is credit risk management. It



pertains to all investments that are not fully guaranteed by the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; or investments not fully insured by the FDIC or NCUA. These investments

usually involve domestic banks or other government-insured depository institutions.

Sound credit risk management has two essential elements:

- Written policy and procedure controls for these investments.
- Prudent credit review and approval practices.

The investment policy should specify what credit standards will apply to the issuers; and what the concentration and maturity limits will be for these investments. The limits should be periodically monitored by the appropriate oversight committee.

Credit standards provide a screening process for credit risk. It is the first step in credit risk evaluation and provides the minimum financial criteria that the issuers must meet. Financial measures of the issuer's risk and performance can be applied, and/or external sources can be utilized, including rating agencies or ratio and peer institution analysis. Credit risk management policies need to address concentration and maturity limits to prevent imprudent exposures.

Prior to approving investments, credit union management needs to conduct and document a credit review of the issuer if the investment is not fully guaranteed or insured. The credit rating of the issuer should be utilized to supplement this analysis, but should not solely be relied on to manage material exposures to credit risk. Credit ratings have historically been slow to reflect rapid changes in an issuer's creditworthiness.

The internal credit review should be based on current financial information, updated at least annually, and should be reported to the appropriate committee and the board to approve, retain, or modify these investments. Credit unions that have substantial concentrations in these investments would be expected to conduct more in-depth periodic reviews for potential credit deterioration.

GAO Report Supports NCUA

The General Accounting Office's long awaited investigation of the National Credit Union Administration "did not find any evidence that the Chairman of the NCUA Board acted illegally in his conduct of Board operations as alleged by Mr. Robert Swan," a former Board member.

The final GAO report, released April 9, concluded that Chairman D'Amours acted within legal authority in managing the Agency and that the Agency acted legally in sponsoring an educational conference on "serving the underserved" in Chicago in August 1997.

D'Amours said he was "pleased with the findings of the GAO's investigation."

Former Board member Swan made his allegations at an April 1996 House Banking subcommittee hearing called to review the propriety of Swan's removal from office by President Clinton. Mr. Swan was removed from his position eight months after his term had expired. A federal district court and appellate court held that his firing was completely legal and proper.

The GAO report stated, among other things:

- "The [Federal Credit Union] Act specifies that the chairman shall be the spokesperson for the Board, shall represent the Board and the NCUA in its official relations with other branches of the government, and shall determine each Board member's area of responsibility";
- "The chairman shall direct the implementation of the adopted policies and regulations of the Board. Thus, the chairman's legally recognized role could be described as a dominant one";
- "[A]s stated in our February 28, 1995, testimony, we believed that Cap Corp's portfolio, which was concentrated in collateralized mortgage obligations, was excessively risky and was thus inappropriate for Cap Corp to hold"; and
- "The NCUA has the legal right to sponsor, plan, and promote educational conferences for credit unions, such as

the 1996 [Serving the Underserved] Conference."

"Our energies are fully focused on the future," D'Amours observed. "I have every confidence that the NCUA Board and staff will work collaboratively to meet our responsibilities to ensure safety and soundness throughout the credit union system and to ensure that our regulations are responsive to the needs of credit unions and their members."

Stopping Problems Early

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- Review the examination reports of credit unions with record-keeping problems dating back at least three exams.
- Establish a record keeping and supervisory committee Special Emphasis Program to establish examination, continued insurability, and supervision norms that emphasize serious record keeping, audit, and verification problems.
- Develop a mentoring relationship program for small, new, and low-income credit unions. Mentoring credit unions generally provide technical training, resource sharing, and advice to their mentor partners.
- Budget extra hours for examiners to spend on small credit unions programs — assisting with bank reconciliations, asset liability management, community development credit unions, and other regional programs.

O.U.R. FCU Thrives Today

June 26, 1995, one year after O.U.R. FCU was conserved, the credit union was returned to its members control. This is the eventual outcome NCUA always hopes to achieve when it places a credit union into conservatorship.

Use Revised CTRs or Pay Penalties

The Department of the Treasury has informed NCUA that it plans to send letters to all financial institutions, including credit unions, about the continued use of old Currency and Transaction Reports Form 4789 (CTRs). The IRS Detroit Computing Center (DCC) has continued to accept CTRs filed on old forms since it was revised in October 1995, however, this is not cost effective for the DCC and they will soon begin rejecting CTRs filed on obsolete forms.

Not filing on the revised CTR form 4789 will be considered failure to file on the part of the credit union. Penalties can and will be assessed for failing to file.

Letter to Credit Unions No. 172, dated June 1995, notified credit unions of the new CTR and included information for ordering revised CTR Form 4789. Forms can be ordered from the Internal Revenue Service Forms Distribution Center by calling 1-800-TAX-Form (1-800-829-3676).

Credit unions must use the revised CTR Form 4789 for all reportable currency transactions.

Visit NCUA's Web Site



NCUA's Web Site
<http://www.ncua.gov>

Credit Unions Face Disaster Along Red River

Eight credit unions between \$500,000 and \$6 million were directly affected as the Red River crested above 54 feet and spread 12 miles across the city of Grand Forks, according to NCUA's Supervisory Examiner Eleanor Taylor in Minneapolis. Worst hit was Grand Forks Herald Credit Union. Located in the city newspaper building, it burned as the water rose in downtown Grand Forks. The small credit union was in the process of merging with Grand Forks Area Schools.

To accommodate members' financial needs as quickly as possible, three area credit unions (Portland CU in Portland, N.D., Lake Region CU in Devil's Lake, N.D., and Agassiz FCU in Crookston, Minn.) gave space and dedicated phone line service to the evacuated Grand Forks credit unions. This joint effort provided members with financial service by the Tuesday following the Saturday evacuation of Grand Forks. Using two credit unions on the North Dakota side of Red River and a third on the Minnesota side assured members would be served no matter which side of the river they had evacuated to.

During the disaster, NCUA staff worked with the league, state regulator, and individual credit unions to make sure everything possible was done to assist. Area credit unions were encouraged to waive line fees and cash charges and allow overdrafts. NCUA activated its disaster relief policy to assist credit unions and their members. The policy encourages credit unions to make loans with special terms and allows for reduced documentation, rescheduled routine examinations, and guaranteed lines of credit.

The North Dakota League established a special 1-800 telephone number for Grand Forks credit union members to get information about their respective credit unions and where to obtain service. The number was widely publicized throughout the state via television, radio, and newspapers. The number was also posted in the Red Cross evacuation centers. N.D. Corporate set up a \$17 million line of credit for affected credit unions.

By the end of the week of April 20, reports were that University Federal, Med Park Credit Union, Area Schools Credit Union, and Grand Forks Telco FCU were

completely dry. Burlington Northern Grand Forks FCU and its manager were not so lucky. While the flooded credit union had set up operations at Agassiz FCU, it was necessary for the manager to take emergency leave. His home was totally destroyed and he needed to relocate his family. To continue Burlington Northern's daily operations, assistance was needed. Local NCUA Examiner Pamela Wilkens, opened her home to a University Federal Credit Union employee who wanted to assist Burlington Northern's operation but had no way of getting across the river to work.

In addition to allowing credit union personnel to stay in her home, after the evacuation Examiner Wilkens immediately tried to contact managers of the affected credit unions to offer NCUA assistance. Wilken's efforts and the credit union movements spirit of unity in helping one another was recognized by the N.D. Commissioner of Banking & Financial Institutions. He told SE Taylor that he wished that everyone was as cooperative as credit unions are in helping each other overcome this disaster.

NCUA News

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